

Message Text

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PAGE 01 PANAMA 06593 282151Z

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JOINT STATE/AID MESSAGE

E.O. 11652: GDS

TAGS: ECON, XM

SUBJECT: OMB BUDGET CUT FOR FY 1977

SUMMARY: US BILATERAL AID CURRENTLY IS THE MAJOR SOURCE OF SUPPORT FOR THE GOP'S MOST IMPORTANT DEVELOPMENT PROGRAMS. CANCELLING THE ALREADY COMMUNICATED, EVEN THOUGH TENTATIVELY, HIGH LEVEL FOR FY 77 WOULD BE SEEN AS AN EFFORT EITHER TO BREAK OFF PRESENT NEW CANAL TREATY NEGOTIATIONS OR TO ENCOURAGE REPLACEMENT OF PRESENT GOVERNMENT. MAGNITUDE AND MULTIPLICITY OF COUNTRY CUT-OFFS THROUGH OUT THE HEMISPHERE WOULD CERTAINLY IMPEL LATIN AMERICAN TO LINK ITS FUTURE WITH COMMUNIST OR THIRD WORLD BLOC. CONSIDERING ENLIGHTENED CONGRESSIONAL ATTITUDE MANIFESTED IN AID BILLS NOW PENDING IN BOTH HOUSE AND SENATE, WE DO NOT UNDERSTAND NEED FOR NOR MOTIVES BEHIND PROPOSED EXECUTIVE BRANCH ACTION TO CUT OFF AID TO COUNTRIES WITH OVER \$300 PER CAPITA GROSS ANNUAL INCOME. END SUMMARY.

1. ON OCTOBER 11, THE GOVERNMENT OF PANAMA DESCRIBED ITS GOALS AND ACHIEVEMENTS ON THE SEVENTH ANNIVERSARY OF THE REVOLUTION. THERE IS AN INTENSIVE AID PARTICIPATION IN THE MAJOR PROGRAMS DESCRIBED--THE EXTENSION INTO THE COUNTRYSIDE OF HEALTH CENTERS, THE INTEGRATION OF
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PAGE 02 PANAMA 06593 282151Z

THE HEALTH MINISTRY AND THE SOCIAL SECURITY AGENCY, THE

NEW WATER PURIFICATION PLANT AND DISTRIBUTION SYSTEM, THE RURAL WATER SUPPLY SYSTEMS, GREATER AGRICULTURAL PRODUCTION THROUGH INCORPORATING SMALL FARMERS INTO THE ECONOMY, THE RURAL EMPHASIS IN NATIONAL EDUCATION PROGRAMS, THE RESEARCH CENTER AT THE UNIVERSITY OF PANAMA, THE PROMOTION OF TOURISM, THE PROGRAMS FOR RURAL MUNICIPAL DEVELOPMENT, COOPERATIVE AGRICULTURAL PRODUCTION, AND HOUSING FOR LOW INCOME FAMILIES.

2. WE HAVE PROJECTED A CONTINUATION OF SIGNIFICANT AID INPUTS INTO THIS GOVERNMENT'S KEY DEVELOPMENT PROGRAMS. IN FY 76 WE HAVE JUST SIGNED A LOAN AGREEMENT PROVIDING \$6.2 MILLION FOR AGRICULTURAL MARKETING, AND WE ARE ABOUT TO SIGN AGREEMENTS PROVIDING \$11 MILLION FOR EDUCATION AND \$4 MILLION FOR RURAL MUNICIPAL DEVELOPMENT. WE ARE PREPARING A LOAN PAPER SEEKING \$6 MILLION THIS FISCAL YEAR FOR RURAL HEALTH DELIVERY SYSTEMS. IN ADDITION TO THAT, THE CURRENT AID CONGRESSIONAL PRESENTATION CONTAINS A \$7 MILLION LOAN FOR INTEGRATED RURAL DEVELOPMENT IN THE INTERIM QUARTER. THIS MIGHT WELL SLIP INTO FY 77.

3. THE AID ANNUAL BUDGET SUBMISSION FOR FY 77 SOUGHT \$15 MILLION IN A FOLLOW-ON LOAN FOR INTEGRATED RURAL DEVELOPMENT AND \$16 MILLION IN A FOLLOW-ON FOR RURAL HEALTH DELIVERY SYSTEMS. ALL THE FOREGOING IS KNOWN TO THE MINISTRY OF PLANNING AND ECONOMIC POLICY AS WELL AS TO THE OPERATING MINISTRIES.

4. CANCELLING A MAJOR SUPPORT YEAR-\$31 MILLION FOR FY 77-IMMEDIATELY FOLLOWING A SIXTEEN MONTH PERIOD OF INTENSIVE SUPPORT-\$27.2 MILLION IN FY 76 AND \$7 MILLION IN THE INTERIM QUARTER-COULD ONLY BE INTERPRETED AS AN EFFORT TO UNDERMINE THE PRESENT GOVERNMENT OR TO BREAK OFF NEGOTIATIONS FOR A NEW CANAL TREATY. THIS IS ESPECIALLY SO BECAUSE THE DECISION WOULD COME FROM WITHIN THE EXECUTIVE BRANCH AND WOULD SEEMINGLY BE IN DIRECT CONTRADICTION OF CONGRESSIONAL POLICY ON FOREIGN AID WHICH CALLS FOR CONCENTRATION "ON THOSE LESS DEVELOPED COUNTRIES WHICH ARE MAKING MAXIMUM EFFORTS TO (1) CARRY OUT LAND

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PAGE 03 PANAMA 06593 282151Z

REFORMS AND COOPERATIVE ARRANGEMENTS DESIGNED TO INSURE THAT PERSONS WHO MAKE THEIR LIVING FROM FARMING HOLD, AS OWNERS OR IN OWNERSHIP-LIKE TENURE, ALL OR SUBSTANTIALLY ALL OF THE LAND THEY FARM; (2) SEEK TO ACHIEVE A GREATER DEGREE OF SELF-SUFFICIENCY IN FOOD PRODUCTION; (3) REDUCE INFANT MORTALITY; AND (4) CONTROL POPULATION GROWTH." SECTION 310 OF H.R. 9005 REPORTED IN THE SENATE SEPTEMBER 11, 1975. A SIMILAR DIRECTIVE APPEARS IN

SECTIONS 303 AND 305 OF H.R. 9005 REPORTED TO THE
HOUSE JULY 29, 1975.

5. IN LARGE PART THE PRESENT, INTENSIVE LEVELS OF AID TO
PANAMA RESULT FROM THE FACT THAT THE PANAMANIAN GOVERN-
MENT'S DEVELOPMENT PROGRAMS COINCIDE WITH THE OBJECTIVES
CONGRESS HAS DECLARED APPROPRIATE FOR BILATERAL SUPPORT.
IN LARGER PART, HOWEVER, THE PRESENT INTENSITY OF AID
RESULTS FROM OUR NATIONAL INTEREST IN PRESERVING BASIC
SOCIAL STABILITY IN PANAMA AND IN HELPING THE PANAMANIAN
EFFORTS TO ACHIEVE A MORE EQUITABLE SOCIETY WHILE WE
WORK OUT NEW TREATY ARRANGEMENTS TO PROTECT OUR
MAJOR ASSET HERE.

6. THE PROPOSED CUT-OFFS HAVE OBVIOUS HEMISPHERIC SIG-
NIFICANCE. SUCH A REPUDIATION OF THE PUBLIC COMMIT-
MENTS OF THIS AND PRIOR ADMINISTRATIONS WOULD NOT ONLY
UNDO WHAT GOOD WE HAVE ACHIEVED BUT WOULD SURELY IMPEL
LATIN AMERICA TO LINK ITS FUTURE TO THE COMMUNIST AND
THIRD WORLD BLOCS.
JORDEN

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